

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6497

BILL NUMBER: SB 100

NOTE PREPARED: Apr 29, 2005

BILL AMENDED: Apr 28, 2005

SUBJECT: Local Option Income Taxes.

FIRST AUTHOR: Sen. Long

FIRST SPONSOR: Rep. Espich

BILL STATUS: Enrolled

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill has the following provisions:

(A) The bill provides that a civil taxing unit's distributive share of county option income taxes (COIT) may be used for any lawful purpose.

(B) The bill provides that a county, city, or town, may use county economic development income tax (CEDIT) to any lawful purpose.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Summary:* **(A) & (B)** This bill would allow local units to shift COIT or CEDIT revenue from uses allowed under current law to any lawful purpose. However CEDIT counties with bonds outstanding for economic development projects or for the lease of property would not be allowed to expend money for other purposes if the expenditures would adversely affect owners of outstanding bonds or the payment of lease rentals.

Background: **(A)** Under current law, COIT revenue may be used for the following purposes:

- (1) Replacement of lost property tax revenue from schools and taxing units due to the homestead credit.
- (2) Operation of public communications systems and computer facilities.
- (3) Operation of public transportation corporations.
- (4) Finance certain economic development project bonds.
- (5) To fund certain redevelopment initiatives in Marion County.
- (6) To make allocations of distributive shares to civil taxing units.

(B) Under current law, CEDIT revenue may be used for several purposes including:

- (1) County, city, or town economic or capital development projects.
- (2) Capital improvement plans.
- (3) Fund increased homestead credit due to the reduction of state and county inventory taxes.
- (4) Maintenance of courthouse facilities.

Explanation of Local Revenues: *Summary:* **(A) & (B)** The proposal should be revenue neutral with respect to counties receiving future certified distributions from either COIT or CEDIT. The bill does not authorize counties to adopt additional changes to either the COIT or CEDIT tax rates.

Background: For CY 2005, 27 counties had adopted COIT with total certified distributions of \$402.6 M. In CY 2005, 71 counties had adopted CEDIT with certified distributions totaling \$197 M.

State Agencies Affected:

Local Agencies Affected: COIT and CEDIT Counties.

Information Sources: State Budget Agency.

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